AN ACTION PLAN FOR DEVELOPING A STORM WATER MANAGEMENT UTILITY IN THE VILLAGE OF HOLMEN

An Action Plan for Developing a Storm Water Management Utility in the Village of Holmen

Prepared for
Village of Holmen
Public Works Department
PO Box 158, 421 S Main Street
Holmen, WI 54636

Prepared by
Vierbicher Associates Inc.
400 Viking Drive
Reedsburg WI 53959
Project 013065871.00

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I. INTRODUCTION

The Village of Holmen is considering developing a Storm Water Management Utility (SWMU). The goals and objectives for developing this new utility include:

- Provide a mechanism and the means to protect local water resources including Halfway Creek, Sand Lake Coulee Creek and Lake Onalaska, which receive storm water runoff from the Village
- Generate consistent revenue from properties in an equitable fashion that is proportional to their storm water run off
- Reduce the burden of storm water management costs on the general property tax role
- Reduce the general obligation debt of the Village thus preserving borrowing capacity

The new SWMU will be operated similarly to a Drinking Water or Sanitary Sewer Utility. It will not be a significantly larger bureaucracy in the Village, but rather a segregation of activities currently undertaken by the Village into a separate function, fully funded by new utility fee revenues. The SWMU will fund activities that the Village is typically completing with general tax funds but that are directly related to the management of storm water. The activities funded by the Storm Water Management Utility will generally include:

- Providing water quality and shore land protection along streams and lakes
- Operating and administering the new SWMU
- Maintaining the storm water management system (street sweeping, inlet cleaning, ditch and detention basin mowing and cleaning)
- Planning for growth in the Village and future storm water management needs
- Complying with new storm water management regulations
- Correcting deferred maintenance of storm water management systems

The SWMU has several advantages over typical general tax funding. For example the utility will provide the following:

- Consistent revenue for long term planning
- Revenue source that is dedicated to storm water management and cannot be alternatively allocated by changing Village or political priorities such as a new fire truck
- Utility fees that are paid by tax exempt properties
- Equitable utility fees that are based on resource use *(impervious area)* not property value
- Lower general obligation debt for the Village
- Lower general tax costs for Village residents

II. DEVELOPMENT PROCESS AND SCHEDULE

Developing a new SWMU generally involves establishing and invoking the proper legal authority within the Village to create such a utility and developing an equitable system to determine utility fees that will be legally defensible. Villages have the statutory authority to create storm water management utilities similarly to how they create water or sewer utilities. Details of the legal authority provided to the Village can be found under the Wis. Stat. s. 66.0821, which can be found on line at http://www.legis.state.wi.us/statutes/Stat0066.pdf

This is the same statute that governs wastewater utilities but it was specifically amended to allow for the creation of stormwater utilities. As with other wastewater utilities, user charges can be assessed that apply to all benefited users regardless of whether they are tax exempt. There is a provision for review of rates by the Public Service Commission (PSC) but only on complaint. Thus, unlike water utilities a community need not go to the PSC for approval of rates in advance, but if someone files a complaint the PSC has the option to review the rates for reasonableness. Most communities establish charges based on impervious surface of an average residence—an equivalent runoff unit or ERU. Most communities have some exemptions for facilities already subject to local or State permits or otherwise do not contribute any stormwater into the system. While common ERUs are not mandated by the statutes and alternative methods could also be used.

In Holmen the SWMU development process began in early 2007 with the selection of Vierbicher Associates Inc. as a consultant to determine the steps required to establish a new utility in the Village. The SWMU development schedule has been aligned with the Village's consideration of their 2008 budget. This schedule requires that the SWMU ordinance be adopted before the end of the 2007 calendar year. Then the SWMU customer data base can be established before the end of the first quarter of 2008 when the first SWMU bills would be sent out.

This aggressive schedule precludes the Village's ability to use State grant funds to assist with the project. For example, applications for State grant funding for storm water planning projects typically are due in May and provide funds for the following calendar year. As a result Holmen would have had to apply for funds in May and would not be able to expend funds until January 1, 2008. This would substantially delay the project schedule. Furthermore the State grants are very competitive and although they may provide 70 percent of the project costs, it is not certain that grant funding would be available to the Village.

III. PRIMARY ACTION ITEMS

The SWMU development process should begin with the identification of a Technical Advisory Committee (TAC) that includes 8-10 members. The TAC membership should come from the Village staff, from tax exempt organizations in the Village such as the school district and churches, large local businesses, and the general public. These TAC members participate in the SWMU development process to ensure a high level of public

awareness and involvement. Their participation will help everyone better understand the technical aspects of the utility and storm water management activities in the Village.

The SWMU, TAC will need to meet numerous times between July 2007 and March 2008. During each meeting a major step in the SWMU development process must be completed. The major steps that will be undertaken by the TAC in creating Holmen's SWMU include:

A. Review the Village's Annual Storm Water Management Budget
B. Review a Multi-Year Storm Water Management Budget
C. Review Equivalent Runoff Unit (ERU) Values
D. Review Preliminary Rates for the SWMU
E. Review a SWMU Feasibility Determination
F. Review a Utility Ordinance (Credits)
G. Review Billing Database

IV. BUDGET DETERMINATION

The annual and multi-year budgets for the SWMU will be established by the Village staff using the Village's historical expenditures on storm water management. In addition, projected costs of complying with new storm water regulations, completing major capital improvement projects, and completing large deferred maintenance needs, will be considered in the budgets. The SWMU annual budget will reflect project priorities identified in Village storm water management plans and the anticipated maintenance and operation needs of the SWMU. The budget outline on the next page provides insight to the major expense categories that are typically considered in developing a multi-year budget for the SWMU.

HOLMEN STORM WATER MANAGEMENT UTILITY
PRELIMINARY 5-YEAR BUDGET OUTLINE

I. PRIMARY BUDGET CATEGORIES

Administration
- Billing
- Accounting
- Bonding
- Supervision
- Engineering (In-House)

Maintenance/Operation
- Street Sweeping
- Inlet Cleaning
- Routine Storm Water Pond Dredging
- Educational Programs

Capital Expenses
- BMPs
- Equipment
- Structure(s)
- Engineering

II. ESTIMATED EXPENDITURES IN MAJOR BUDGET CATEGORY

ADMINISTRATION

Administration	=	$40,000
Debt Service	=	$5,000
Legal Issues	=	$4,000
Master Plan Update	=	$5,000
Engineering Issues	=	$4,000
Public Education	=	$2,000
Total	**=**	**$60,000**

MAINTENANCE/OPERATION

Pond Mowing	=	$2,500
Compost Site	=	$15,000
Street Sweeping	=	$7,500
Leave Cleaning	=	$2,500
Tree and Brush Removal	=	$2,500
Storm Sewer Cleaning	=	$15,000
Weed Commissioner	=	$15,000
Erosion Enforcement	=	$15,000
Total	**=**	**$75,000**

CAPITAL EXPENSES

Utility Development/Maint.	=	$20,000
BMP Design/Construction	=	$20,000
Repair/Replace Storm Sewer	=	$60,000
Storm Water Monitoring	=	$2,500
Misc. NR216 Compliance	=	$7,500
Streambank Stabilization	=	$5,000
Equipment Fund	=	$10,000
Total	**=**	**$125,000**

Grand Total = $260,000

Once the annual budget is set, the consultant in conjunction with Village staff, will project growth and inflation in the Village along with expected storm water management needs in the future, to estimate a multi-year budget for the utility. The budget process can be essentially complete in one or two meetings and then it can be presented to the TAC. However, adjustments to the budget typically occur whenever the utility fees become too high or too low.

V. PRELIMINARY FEES AND RATE STRUCTURE

The fee charged to single family homes is desired by the Village to be close to the average for all storm water utilities in Wisconsin, which is about $4 to $5 per month. The fee charged to all properties in the Village that are not residential parcels is determined by first calculating the average impervious area on a fully developed single family parcel in the Village. This average value of impervious area is known as the Equivalent Runoff Unit or (ERU). Then you determine the impervious area on a developed parcel of interest and calculate the number of ERUs its impervious area is equal to. In Holmen the ERU was determined to be 3,713 square feet by computing the average impervious area on 200 single family homes in five various neighborhoods around the Village (See Table 2 below and Figures in Appendix). For example, if a non-residential parcel has 7,426 square feet of impervious area on it, the fee charged to this parcel would be two times that charged to a single family parcel.

Table 2

Average Impervious Area on a Fully Developed Single Family Parcel

Area	Number of Parcels Measured	Average Impervious Area (Square Feet)
1	52	3896
2	52	4150
3	46	3679
4	20	2599
5	30	3434
	Wtd. Average	3713

Determining the SWMU fee for each non-residential parcel requires measuring its impervious area and determining the number of ERUs on each parcel. Then the income generated by the SWMU to balance the budget can be determined by altering the ERU rate.

As part of this Action Plan the potential income from the SWMU was balanced with the SWMU preliminary budget by estimating the number of ERUs in the Village using recent air photographs and zoning maps. The tax table indicates there are 2,088 developed home sites and 179 developed non-residential sites. The non-residential sites can vary considerably from a site such as a large high school facility with more than 200 ERUs to a small business such as a real estate office with only 4 or 5 ERUs. Using the zoning

maps and the available recent air photographs of the village we measured the impervious area on most developed parcels in the village. The measurements indicated there were 4,341 ERUs in the village (see summary in appendix).

To balance the income with the budget requires each ERU to contribute about $60.00 annually, ($15.00 per quarter or $5.00 per month). This rate structure is preliminary because the budget can change substantially and no credit or fee exemption allowance was made in the rate estimate. However, generating $260,000 in consistent revenue to manage storm water in the Village with a monthly fee of only $5.00 per household seems reasonable.

VI. DISCUSSION OF FEASIBILITY

Using the typical valuation based system of tax collection to fund the expected storm water management expenses results in a larger charge to residential properties that actually generate less storm water runoff than the larger community less valuable commercial and manufacturing properties. The valuation based tax system indicates about 80.9 percent of the value in Holmen comes from residential properties and only 19.1 percent comes from commercial and manufacturing sites. The SWMU system of fee collections will create a more equitable technique of determining charges to a property, its impervious area, which is directly related to the property's generation of storm water run off. The proposed SWMU rate structure is a change in fund collection that results in about 52 percent of the income coming from non-residential properties and about 48 percent the funds coming from residential properties compared with valuation based taxation.

Based on reported details from existing SWMU's in Wisconsin and throughout the Nation, it appears feasible for Holmen to collect $5 per month from residence for managing storm water (see appendix). The SWMU budget was prepared to account for typical storm water related maintenance and operation activities, to comply with new storm water regulations, and to provide funding for planned capital improvement projects identified in current Village-wide storm water management plans. Without the SWMU the expenses for the Village's storm water management activities would come from valuation based taxes which would then be subsidized by high value single family homes.

VII. ORDINANCE DEVELOPMENT

One of the primary goals of managing storm water is to protect local water resources. An important tool for accomplishing this goal is to educate the public that managing storm water is more cost effective when it can be managed close to the run off source. For example, it is easier to infiltrate clean storm water near roof downspouts close to a building than it is to try to confine concentrated run off further downstream and try to infiltrate these larger flows into the ground water. In addition, it is more cost effective to detain storm water in distributed small basins near individual buildings than it is to build large ponds along flowing ditches that drain big subdivisions. When the public understands the potential benefits from these distributed storm water best management

practices and begins to implement them, the Village's costs to manage storm water will be less. That is why the SWMU development process will include an ordinance that creates the new SWMU and also creates a fee credit system.

The fee credit system would allow for a reduction in SWMU charges when the customers provide storm water best management practices on their site that helps reduce the cost to the utility. One example would be a property that contains a storm water detention pond that detains storm events larger than the two-year storm currently required by State regulations. In this case a credit would be allowed to compensate the customer for expenses associated with maintenance and operation of the larger than required detention facility. The credit amount would be related to the subsequent cost savings for the SWMU. For non-residential SWMU customers a credit up to 50 percent of the utility fee could be obtained by detaining storm water. For example, if an on-site detention pond on a newly developed site detains the 100 year storm and releases a peak discharge equal to the pre-developed site conditions, a 50 percent credit would be possible. The table below defines possible credits for non-residential properties.

Table 3

Storm Size (years)	Credit
0-5	0-10%
10	20%
25	30%
50	40%
100	50%

For residential properties a credit of as much as 25 percent of the utility fee can be obtained if the property owner will self certify that an on-site storm water management practice, such as a rain garden, has been installed using accepted standard techniques and the practice will be maintained in working order.

The final rate structure for the SWMU must include a credit allowance in the budget if a credit policy is adopted. The exact credit policy and practices will be described in greater detail in the SWMU ordinance and will be debated in more detail by the SWMU TAC during the implementation phase of the SWMU. These credit policies and final rate determinations take the most time in the SWMU development process. Perhaps 3 to 4 meetings will be necessary to address these items. Because the new utility ordinance must be enacted prior to the Village's budget and it requires substantial public notice, the TAC must complete their review sometime in September or October. Therefore the TAC will need to meet at least monthly and at sometimes more frequently to accommodate Village board schedules and to facilitate decision coordination.

VIII. BILLING DATABASE DEVELOPMENT

One major action item will be the development of a customer database for the SWMU that is compatible with the Village's existing water or sewer customer database. An obstacle in this process can be the determination of accurate customer contacts for

properties that have an absentee owner or remote. There can be these potential problems when the tax base used to determine billing information is related to property ownership and the sewer or water customers may be a tenant. These difficulties are common in utilities where customers can change monthly; however, developing a new customer data set can require a lot of close billing coordination. Someone familiar with the Village's existing utility databases and with parcel ownership will need to help resolve customer issues before bills can be sent out. This billing database activity usually follows utility ordinance adoption and can be scheduled for the period January 2008 - April 1, 2008 until the first bills would be sent out.

IX. RECOMMENDATIONS

At this time we recommend that the Village approve the Action Plan and then begin formal adoption of a SWMU. Village Board approval of the plan will subsequently authorize a public involvement process that is initiated with the formation of a TAC. The TAC will help evaluate and to implement a new storm water management utility. As part of implementation the SWMU TAC will investigate and credit policies and practices for the SWMU and provide strategies in the ordinance for defining credits. The TAC will help determine the feasibility of implementing a SWMU and will also prepare an ordinance that the Village Board can consider adopting along with the 2008 Village budget.

X. APPENDICES

Tax Revenue Data
Map of Digitized Residential Parcels
Digitized Example of High School
Summary of Holmen's Storm Water Utility
Summary of SWMU's in Wisconsin

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